

General Obligation Debt Service Funds Budget

Debt Service Fund Spending (By Major Object)			
Object	2000 Actual Budget	2001 Adopted Budget	2002 Adopted Budget
Salaries	103,294	125,172	138,918
Services	25,954	71,766	76,767
Fringe Benefits	31,516	36,171	41,699
Other	254,765	281,665	316,665
Debt Service	31,940,331	53,721,829	55,520,304
Equipment, Land, & Buildings	<u>0</u>	<u>10,000</u>	<u>0</u>
Total	32,355,860	54,246,603	56,094,353

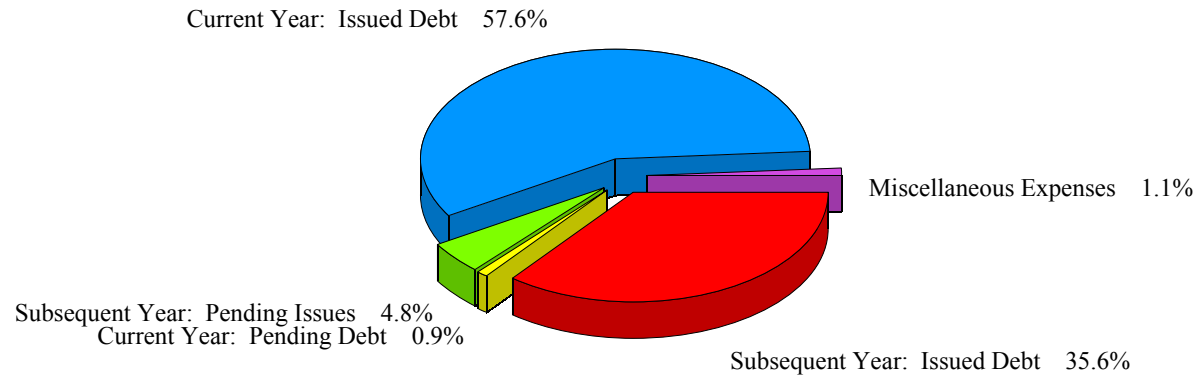
Debt Service Fund Spending (Revenue By Source)			
Source	2000 Actual Budget	2001 Adopted Budget	2002 Adopted Budget
Use of (Contribution to) Fund Balance	0	21,438,923	21,875,900
Transfers	3,197,864	3,053,603	4,363,911
Taxes	18,355,887	18,881,790	18,579,127
Licenses and Permits	0	0	0
Intergovernmental Revenue	0	0	408,948
Fees, Sales and Services	0	0	0
Enterprise and Utility Revenue	970,302	1,238,000	858,000
Other Revenue Sources	<u>13,113,901</u>	<u>9,634,287</u>	<u>10,008,467</u>
Total	35,637,954	54,246,603	56,094,353

The City of Saint Paul's General Debt Service budget provides for the principal and interest payments on the City's general obligation bond issues. The budget consists of two sets of appropriations: 1) an amount needed to meet the budget year debt service obligations, and 2) an amount needed to meet the obligations of the first half of the following year. Therefore, the amount appropriated for General Debt Service typically exceeds the amount actually spent in the budget year by 50%. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. The city receives state aids and property taxes mid-year and at the end of the year. If the city did not budget for subsequent year debt service payments, it would lack the cash to make the debt service payments due before the city receives its major cash infusions each year.

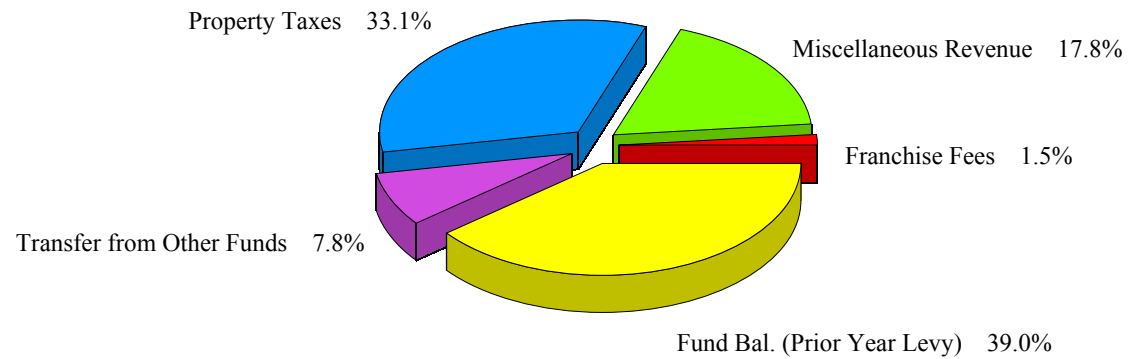
The total 2002 debt service budgets are \$56,094,353. \$36,336,846 is 2002 spending, and \$19,757,507 is 2003 spending.

G.O. Debt Service Funds

2002 Spending by Major Category



2002 Financing by Major Source



General Obligation Debt

Allocation Of Debt Support as of December 31, 2001								
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Other Sources	Self Supporting Total	Total
Capital Improvements	93,095,000					4,770,000	4,770,000	97,865,000
Urban Renewal	1,360,000							1,360,000
Urban Renewal Refunding	625,000							625,000
Street Improvements			23,320,000				23,320,000	23,320,000
Tax Increment:								
Riverfront Development				10,760,000			10,760,000	10,760,000
Midway Marketplace				5,850,000			5,850,000	5,850,000
Block 39 Project				18,730,000	21,270,000		40,000,000	40,000,000
Water Pollution Abatement		4,285,000					4,285,000	4,285,000
Sewer Bonds		4,220,000					4,220,000	4,220,000
Sewer Loan (PFA*)		19,038,437					19,038,437	19,038,437
Water Loan (PFA*)		3,509,958					3,509,958	3,509,958
TOTAL	95,080,000	31,053,395	23,320,000	35,340,000	21,270,000	4,770,000	115,753,395	210,833,395
Percent of Total	45.1%	14.7%	11.1%	16.8%	10.1%	2.3%	54.9%	100.0%

* PFA is the Public Facilities Authority.

General Obligation Debt Service

Mission Statement

To prepare financing plans and pay the annual principal and interest payments on General Obligation debt of the city. The financing plan includes a provision for the “subsequent year” debt, which insures that funds are available to make the first half payment for the following year.

General Obligation Debt Service

DEPARTMENT/OFFICE DIRECTOR: PETER HAMES

	1999 2ND PRIOR EXP & ENC *	2000 LAST YEAR EXP & ENC *	2001 ADOPTED BUDGET	2002 MAYOR'S PROPOSED	2002 COUNCIL ADOPTED	ADOPTED MAYOR'S PROPOSED	CHANGE FROM 2001 ADOPTED
SPENDING APPROPRIATIONS							
960 GENERAL DEBT SERVICE FUND	25,205,492	24,106,341	42,362,323	43,611,998	43,554,498	57,500-	1,192,175
961 CITY REV BONDS, LONG TERM DEBT	3,312,565	4,989,637	5,954,637	5,954,729	5,954,729		92
963 G.O. SPEC ASSM DEBT SERV FUND	2,668,905	2,943,136	5,612,897	6,268,380	6,268,380		655,483
967 CITY REVENUE NOTES DEBT SERVICE	316,746	316,746	316,746	316,746	316,746		
TOTAL SPENDING BY UNIT	31,503,708	32,355,860	54,246,603	56,151,853	56,094,353	57,500-	1,847,750
SPENDING BY MAJOR OBJECT							
SALARIES	107,833	103,294	125,172	138,918	138,918		13,746
EMPLOYER FRINGE BENEFITS	31,859	31,516	36,171	41,699	41,699		5,528
SERVICES	46,107	25,954	71,766	76,767	76,767		5,001
MATERIALS AND SUPPLIES	416	4,765	1,665	6,665	6,665		5,000
MISC TRANSFER CONTINGENCY ETC	312,507	250,000	280,000	310,000	310,000		30,000
DEBT	30,999,990	31,940,331	53,721,829	55,577,804	55,520,304	57,500-	1,798,475
STREET SEWER BRIDGE ETC IMPROVEMENT							
EQUIPMENT LAND AND BUILDINGS	4,996		10,000				10,000-
TOTAL SPENDING BY OBJECT	31,503,708	32,355,860	54,246,603	56,151,853	56,094,353	57,500-	1,847,750
		2.7 %	67.7 %	3.5 %	.1-%	.1-%	3.4 %
FINANCING BY MAJOR OBJECT							
SPECIAL FUNDS							
TAXES	19,357,757	19,242,185	20,119,790	20,076,395	19,437,127	639,268-	682,663-
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	626,087			763,948	763,948		763,948
FEES, SALES AND SERVICES	50,000						
ENTERPRISE AND UTILITY REVENUE	80,500	84,004	91,164	130,000	130,000		38,836
MISCELLANEOUS REVENUE	9,185,866	13,113,901	9,543,123	10,943,433	9,523,467	1,419,966-	19,656-
TRANSFERS	3,347,870	3,197,864	3,053,603	2,506,573	4,363,911	1,857,338	1,310,308
FUND BALANCES			21,438,923	21,731,504	21,875,900	144,396	436,977
TOTAL FINANCING BY OBJECT	32,648,080	35,637,954	54,246,603	56,151,853	56,094,353	57,500-	1,847,750
		9.2 %	52.2 %	3.5 %	.1-%	.1-%	3.4 %

Budget Explanation

Major Changes in Financing and Spending

Creating the 2002 Budget Base

The 2001 adopted budget was adjusted to set the base for the year 2002. The department budget was increased for the anticipated growth in 2002 for salaries and fringes related to the bargaining process.

Department Proposals

Spending in fund 960, general debt service, increased by \$1,905,250. The budget proposed issuing \$19,000,000 capital improvement (C.I.B.) bonds in 2002. The budget submitted did not increase the debt service levy for 2002. Some revenues were reclassified. P.I.R. (public improvement revolving fund) interest earnings, which had been coded as a transfer-in, were coded as interest earnings for 2002. Interest earnings increased by \$377,423 as a revenue source for fund 960. \$1.8 million of transfers from the sewer fund were used to finance sewer-related debt service payments. The budget included \$408,948 of revenue, related to tax increment financing, from planning and economic development (P.E.D) fund 148. This was an accumulation of revenue owed to the sewer fund 960 since 1996. It also included a \$591,052 transfer from P.E.D. fund 149, \$355,000 from a Mears Park tax abatement and \$404,033 from the 2001 bond sale premium.

Spending for fund 961 remained almost the same as for 2001. This fund makes payments for arena revenue bonds, which are financed with facility lease payments and Minnesota Wild hockey team revenues (payments in lieu of taxes). These are backed by sales tax revenues.

Spending for fund 963, general obligation special assessment debt service, increased by \$655,483 compared to 2001. This debt service is financed primarily by assessments and the use of fund balance.

Also included was spending in fund 967 for a bank note for purchase of property for the Science Museum, paid for with parking revenues and cultural sales tax (STAR) monies. There was no change in spending from 2001.

The 1999 and 2000 actuals reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2001 and 2002 in Fund 960. For funds 960 and 963, the annual practice of using fund balance to finance subsequent year debt is employed. Fund balance is available to do this as a result of budgeting for subsequent year's debt.

Mayor's Recommendations

In preparing the 2002 proposed budget, the mayor recommends:

- accepting the department proposals contained in the submitted budget.

Strategic Plans

Using a creative and responsible fiscal approach, the mayor has the following key goals for 2002:

- C **Maintain Credit Ratings:** Maintain the Aa2 (Moody's) and AAA+ (Standard and Poor's) ratings assigned to the city's general obligation debt. Strengthen the organizational understanding of the best uses of the general obligation bonding authority.
- C **Provide Alternate Financing:** Provide recommendations for the alternative financing plans for both current and future bond issues. Alternatives to the use of tax levy as financing for the general obligation debt of the city will continue to be explored and recommended where prudent. Continue to review proposals in search for the solutions that serve the city in the long-term, ever mindful of the short-term needs.

Council Actions

The city council adopted the general obligation debt service budget and recommendations as proposed by the mayor, and approved the following changes:

- recoding numerous line items, based on a review by Greg Blees and Office of Financial Services staff members, resulting in no net dollar changes to financing.
- reducing spending by \$57,500 to reflect a lower interest rate assumption (from 5.0% to 4.5%) for the pending 2002 bond sale. The city council also recommended reducing property tax financing by \$57,500 to shift levy authority to the general fund.